

30 MAY 1986

MEMORANDUM FOR: Chief, Budget Management Group,
Office of the Comptroller

FROM:

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Chief, Retirement Division

SUBJECT: Funding of Retirement Program

Norm,

1. In conjunction with our conversation, I asked our consultant, Ed Hustead of Hay Associates, if he could assist in providing some preliminary estimates on additional costs associated with the legislated requirement to fully fund, on a dynamic basis, the new supplemental retirement program. Mr. Hustead provided the following estimates:

FY-1987	\$18.6 Million
FY-1988	\$46.6 Million
FY-1989	\$47.2 Million

The FY-1987 estimate reflects estimated costs for employees hired after 1 January 1984 and represents going from the current 7% Government matching cost to an approximate 23% fully funded cost.

2. These estimated costs rise to \$24.3 million in FY-1988 and \$29 million in FY-1989. In addition, employees in the old system will be given an opportunity to transfer to the new system during the period 1 July - 31 December 1987. For purposes of projecting costs, Mr. Hustead estimated that approximately one third of the employees would elect to transfer. This would add an additional cost of \$22.3 million in FY-1988 and \$18.2 million in FY-1989. (The cost in FY-1989 is lower because of estimated reduction in the unfunded liability for CIARDS resulting from the transfers.) Should the number of transfers be lower, then the projection would also be reduced; if more transfer then the costs could be higher.

3. Please let me know if you need any additional data.

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